

## Message Text

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PAGE 01 COPENH 03504 130908Z

13

ACTION EB-03

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R 121602Z DEC 74

FM AMEMBASSY COPENHAGEN

TO SECSTATE WASHDC 0156

INFO AMEMBASSY ABU DHABI

AMEMBASSY ANKARA

AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

USMISSION EC BRUSSELS

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY JIDDA

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY MADRID

AMEMBASSY OTTAWA

AMEMBASSY PARIS

USMISSION OECD PARIS

AMEMBASSY ROME

AMEMBASSY STOCKHOLM

AMEMBASSY TOKYO

AMEMBASSY VIENNA

C O N F I D E N T I A L COPENHAGEN 3504

LIMDIS

E.O. 11652: GDS

TAGS: ENRG, DA

SUBJ: OPEC OIL SALE OFFERS TO DENMARK

REF: (NOTAL) COPENHAGEN 651, 596 AND 474

BEGIN SUMMARY: WITHIN RECENT WEEKS, DANISH

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PAGE 02 COPENH 03504 130908Z

GOVERNMENT HAS RECEIVED AN UNUSUAL NUMBER OF OF-

FERS, THROUGH BROKERS, FOR SAUDI ARABIAN AND ABU DHABI CRUDE. PRICE BEING QUOTED ID DOLS 9.00 A BARREL BUT OTHER TERMS HAVE NOT BEEN PROVIDED. DANISH GOVERNMENT IS HESITANT TO MOVE WITHOUT MORE PRECISE KNOWLEDGE OF SALE CONDITIONS AND IS ATTEMPTING, SO FAR UNSUCCESSFULLY, TO OBTAIN PRICE AND TERMS OF ALLEGED RECENT PETROMIN CONTRACT WITH GELSENBERG OF GERMANY. COMMERCE MINISTRY SUSPECTS PRESENT SERIES OF APPROACHES MAY BE PART OF SCHEME BY SOME OIL PRODUCERS TO WEAKEN CONSUMER COUNTRIES' COORDINATION, DAMAGE INTERNATIONAL MAJORS AND KEEP CONTROL OF OIL PRICES. NONETHELESS, DANES HAVE SO FAR KEPT THEIR OPTIONS OPEN. END SUMMARY.

1. CHARGE AND ECON COUNSELOR MET DEC. 12 WITH COMMERCE DEPUTY UNDER SECRETARY H. O. CHRISTIANSEN (RESPONSIBLE FOR DOMESTIC ENERGY MATTERS) TO DISCUSS REPORTS THAT DENMARK HAS BEEN RECEIVING OFFERS OF CRUDE FROM MIDDLE EAST PRODUCERS AT INTERESTING PRICES. CHRISTIANSEN SAID THIS WAS TRUE; A NUMBER OF BROKERS HAVE APPROACHED DANISH GOVERNMENT (THROUGH STATE-OWNED DANSK OLIE OG NATURGAS A/S) TO OFFER CRUDE. OFFICERS REPRESENTATING PETROMIN (SAUDI ARABIA) CRUDE SPECIFIED A PRICE OF DLS 9.00 PR BARREL WHICH, CHRISTIANSEN UNDERSTOOD, INCLUDED A 50 CENT COMMISSION FOR THE BROKERS. SOME BROKERS, APPARENTLY ASSOCIATED WITH ABU DHABI ROYAL FAMILY INVITED DANISH GOVERNMENT REPS TO ABU DHABI RECENTLY. WHEN DANES HESITATED, BROKERS PROVIDED PLANE TICKETS FOR THE TRIP. WHEN DANES GOT THERE, THEY FOUND DISCUSSION INCONCLUSIVE AND GATHERED THAT INVITATION HAD BEEN SOMEWHAT PREMATURE.

2. CHRISTIANSEN FELT OFFERS RECEIVED HAVE SOLID BASE. AS HE PUT IT, THESE BROKERS--ALL HAVING CLOSE CONNECTIONS IN SAUDI ARABIA OR ABU DHABI--"SEEM TO KNOW SOMETHING" WHICH MAKES THEM ACT AS AVANT-GARDE FOR A CHANGING ARAB (POSSIBLY CONFIDENTIAL

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PAGE 03 COPENH 03504 130908Z

OPEC) OIL POLICY. HE THOUGHT THE BROKERS MAY WISH TO JUMP INTO GAME EARLY TO ESTABLISH THEIR CLAIMS FOR COMMISSIONS ON EVENTUAL CONTRACTS. ON THE OTHER HAND, HE DID NOT EXCLUDE A CONSCIOUSLY ORCHESTRATED POLICY BY SAUDIS TO BREAK IEA COORDINATION ON DEVELOPMENT OF ALTERNATIVE ENERGY SOURCES BEFORE IT GOT UNDER WAY. SINCE ONE OF IEA OBJECTIVES IS LOWERED OIL PRICES, OIL

PRODUCERS COULD SAY THAT IS PRECISELY WHAT THEY ARE NOW OFFERING. AND THEY DO SO UNDER CONDITIONS WHICH BYPASS THE INTERNATIONAL MAJORS, REDUCE THEIR PROFITS AND THUS MAKE IT DIFFICULT, IF NOT IMPOSSIBLE, FOR MAJORS TO FIND FINANCIAL RESOURCES SUFFICIENT TO CONTINUE OIL EXPLORATIONS AND DEVELOPMENT OF NEW ENERGY SOURCES.

3. CHRISTIANSEN THOUGHT DENMARK MIGHT SEEM LIKELY CANDIDATE FOR SUCH A PRODUCER APPROACH SINCE DENMARK IS ALMOST COMPLETELY DEPENDENT ON IMPORTED OIL PROVIDED BY MAJORS. HE NOTED, HOWEVER, THAT THE GERMAN OIL COMPANY OF GELSENBERG, MORE THAN 50 PERCENT OWNED BY THE GERMAN GOVERNMENT, HAD RECENTLY SIGNED A CONTRACT WITH PETROMIN ON TERMS WHICH DANES HAVE BEEN UNABLE TO OBTAIN. HE SAID DANES WOULD VERY MUCH LIKE TO KNOW PARTICULARS OF THE PETROMIN-GELSENBERG ARRANGEMENT AS AN AID TO THEIR OWN DECISION-MAKING ON OFFERS THEY WERE RECEIVING BUT HAVE DRAWN A BLANK IN DISCUSSIONS WITH FRG AND INDUSTRY.

4. FOR THE PRESENT, CHRISTIANSEN SAID, DENMARK HAS NOT TURNED DOWN ANY OFFER. IT HAS ASKED FOR MORE INFORMATION ON TERMS AND CONDITIONS OF CONTRACTS BEING OFFERED. SO FAR, ALL THEY HAVE BEEN TOLD IS THAT THE CONTRACTS WOULD MAKE "ONLY REASONABLE COMMERCIAL DEMANDS" BUT HE FEARED THAT THE ARAB DEFINITION OF "REASONABLE" MAY BE AT CONSIDERABLE VARIANCE FROM THAT WITH WHICH DENMARK COULD LIVE. (CHRISTIANSEN TOLD EXXON OFFICIALS LAST WEEK THAT CONDITIONS COULD INCLUDE THE FOLLOWING: (A) SALES MUST BE TO CONFIDENTIAL

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PAGE 04 COPENH 03504 130908Z

GOVERNMENT OIL COMPANY, (B) CRUDE COULD NOT BE RESOLD TO ANY OF THE MAJORS, (C) GOVERNMENT COMPANY MUST BE PREPARED TO MOVE DOWNSTREAM INTO REFINING AND MARKETING, AND (D) GOVERNMENT MUST AGREE NOT TO RAISE TAXES ON OIL.) IN DISCUSSION WITH US, CHRISTIANSEN DID NOT GO INTO DETAILS BUT NOTED THAT, DURING DISCUSSIONS ABOUT DIRECT CRUDE PURCHASES LAST WINTER, PETROMIN ACCEPTED A FORMULA IN WHICH DENMARK STATED THAT IT "INTENDED TO HAVE THE CRUDE HANDLED BY REFINERIES IN SCANDINAVIA."

5. EMBASSY COMMENT: CHRISTIANSEN MADE CLEAR THAT HE WISHED WASHINGTON TO BE AWARE OF THESE DEVELOPMENTS AND OF HIS CONCERN OVER POTENTIAL

EFFECTS OF SUCH AN ARAB OFFENSIVE ON IEA COOPERATION. AT THE SAME TIME, HE POINTEDLY AVOIDED SAYING THAT DENMARK WOULD REFUSE ARAB OFFERS IF THEY TURNED OUT FAVORABLE. WE KNOW, FROM DISCUSSIONS WITH DANISH ESSO PRESIDENT, THAT CHRISTIANSEN HAS AGAIN ASKED ESSO WHETHER IT WOULD BE INTERESTED IN DANISH GOVERNMENT QUITY PARTICIPATION IN THEIR REFINERY HERE. (LAST WINTER, THE ANSWER WAS NO.) DANES ARE APPARENTLY FEELING THEIR WAY CAUTIOUSLY IN PRESENT CONFUSED OIL MARKETING SITUATION AND DO NOT WANT TO CLOSE OUT THEIR OPTIONS. AT THE SAME TIME, THEY REMAIN COMMITTED TO IEA PRINCIPLES.

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